

State Funding for Local Infrastructure

Form and Function



Ways and Means Committee
February 1, 2007

This Work Session Will...

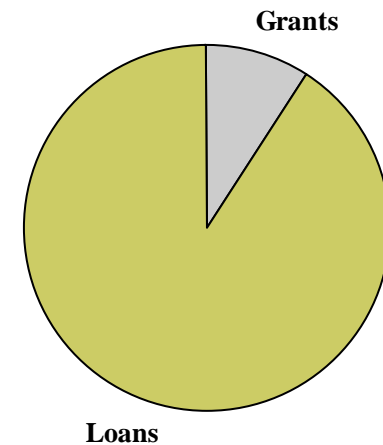
- 1. Review the forms and functions of state financial assistance for local infrastructure projects**
- 2. Summarize the inventory of state infrastructure assistance programs**
- 3. Illustrate successes and challenges in coordinating multiple assistance programs with overlapping goals**
- 4. Discuss the challenges for infrastructure programs intended to stimulate economic growth**
- 5. Look to the future**

What form of financial assistance does the state provide?

	Basic Infrastructure (2003-05 Millions)
Grants	\$62
Low interest loans	\$620
Total	\$682

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	Traditional Mortgage (On your own)
Down Payment	\$80,000
Financed	\$320,000
Loan Terms	6.4% 30 yrs
Monthly Payment	\$2,002

What is the value of a low interest loan?

So, you want to buy a house for \$400,000

	Traditional Mortgage (On your own)	Option A
Down Payment	\$80,000	\$80,000
Gift		
Financed	\$320,000	\$320,000
Loan Terms	6.4% 30 yrs	3.2% 30 yrs
Monthly Payment	\$2,002	

What is the value of a low interest loan?

So, you want to buy a house for \$400,000

	Traditional Mortgage (On your own)	Option A	Option B
Down Payment	\$80,000	\$80,000	\$80,000
Gift			\$100,000
Financed	\$320,000	\$320,000	\$220,000
Loan Terms	6.4% 30 yrs	3.2% 30 yrs	6.4% 30 yrs
Monthly Payment	\$2,002		

What is the value of a low interest loan?

So, you want to buy a house for \$400,000

	Traditional Mortgage (On your own)	Option A	Option B
Down Payment	\$80,000	\$80,000	\$80,000
Gift			\$100,000
Financed	\$320,000	\$320,000	\$220,000
Loan Terms	6.4% 30 yrs	3.2% 30 yrs	6.4% 30 yrs
Monthly Payment	\$2,002	\$1,384	\$1,376

What is the value of a low interest loan?

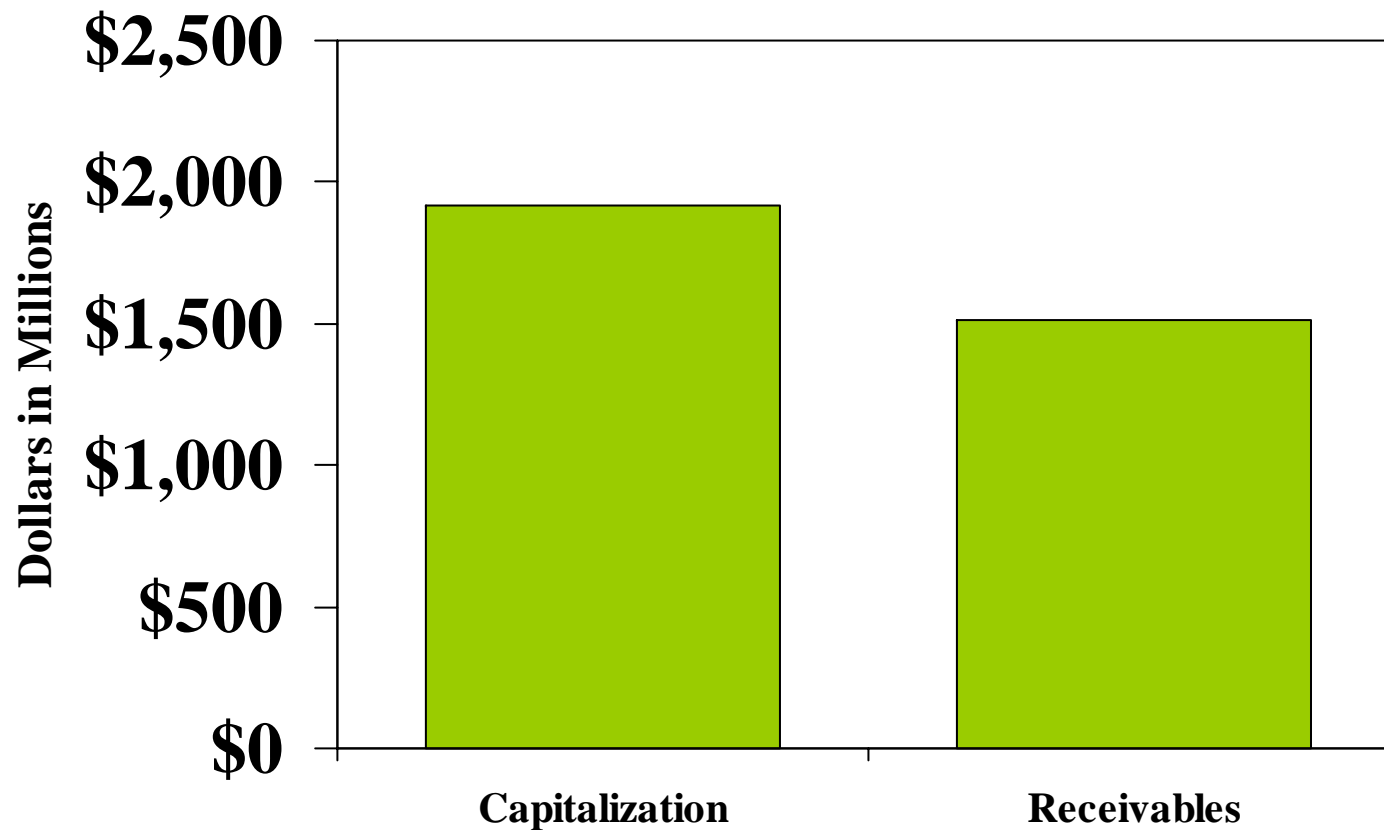
So, you want to buy a house for \$400,000

	Option A	Option B
Gift		\$100,000
Low Interest Loan	\$320,000	
Monthly Payment	\$1,384	\$1,376
Total Gift	\$222,000	\$225,000
Present Value	\$145,000	\$147,000

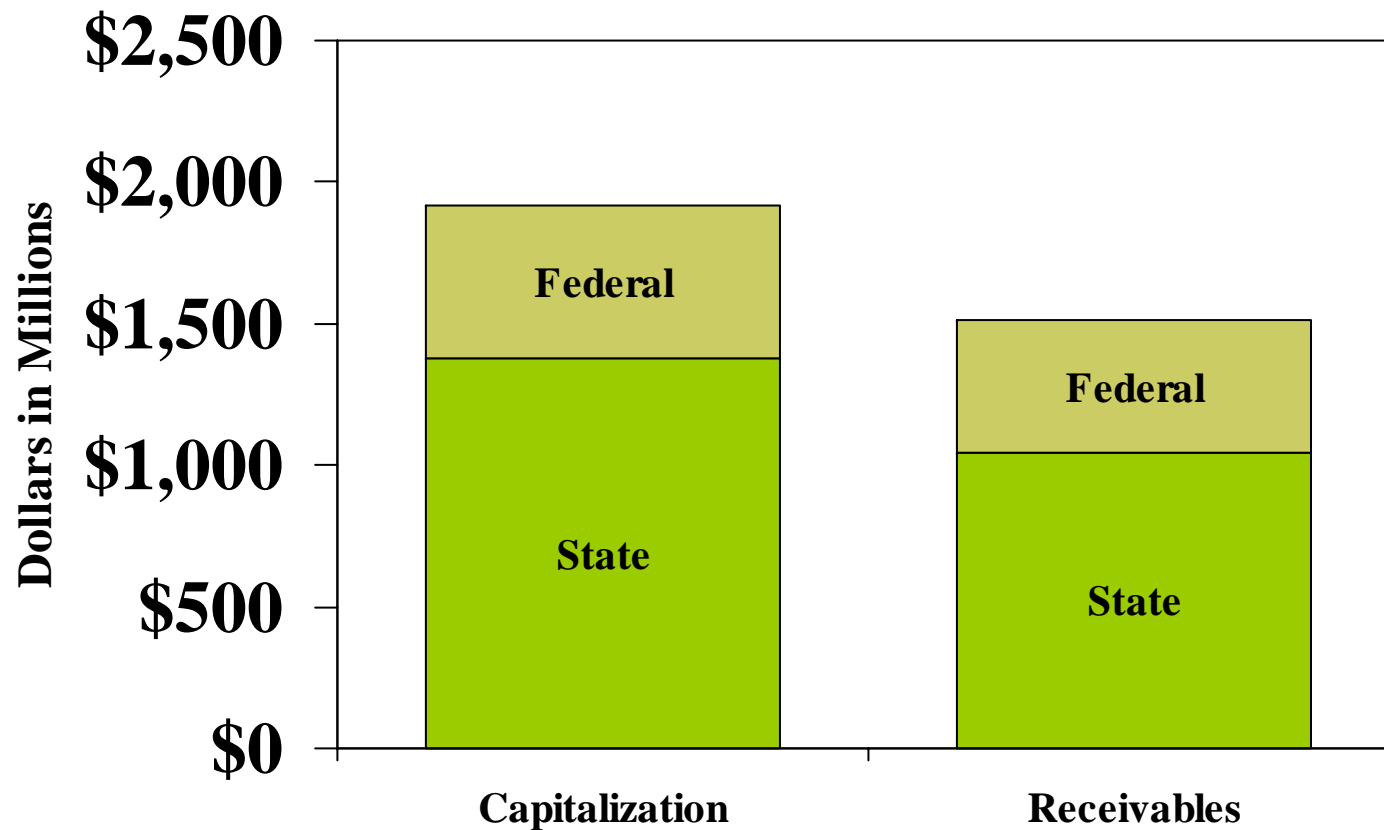
What is the value of low interest infrastructure loans?

	Basic Infrastructure (2003-05 Millions)	Estimated Value
Grants	\$62	\$62
Low interest loans	\$620	\$186
Total	\$682	\$248

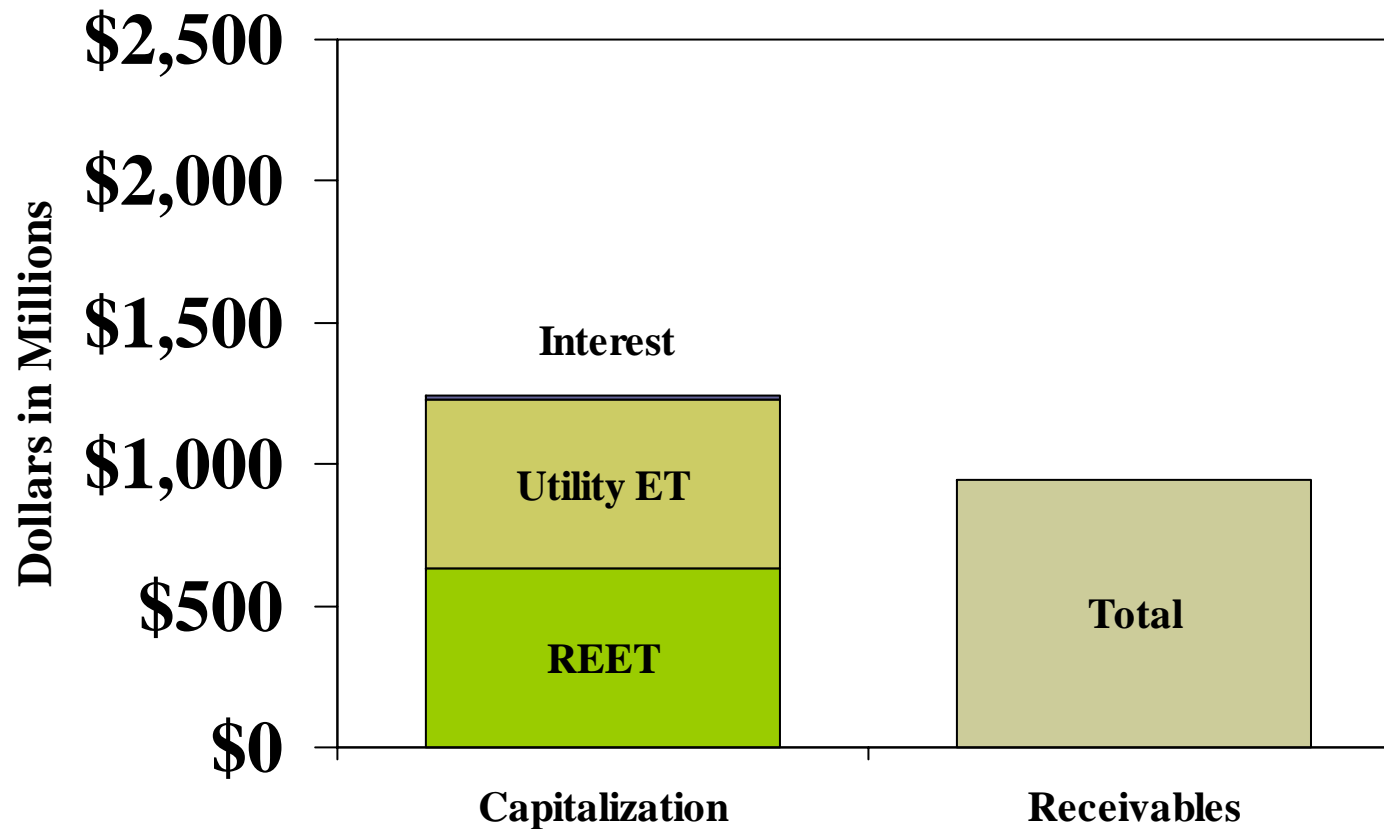
How big are the loan revolving funds?



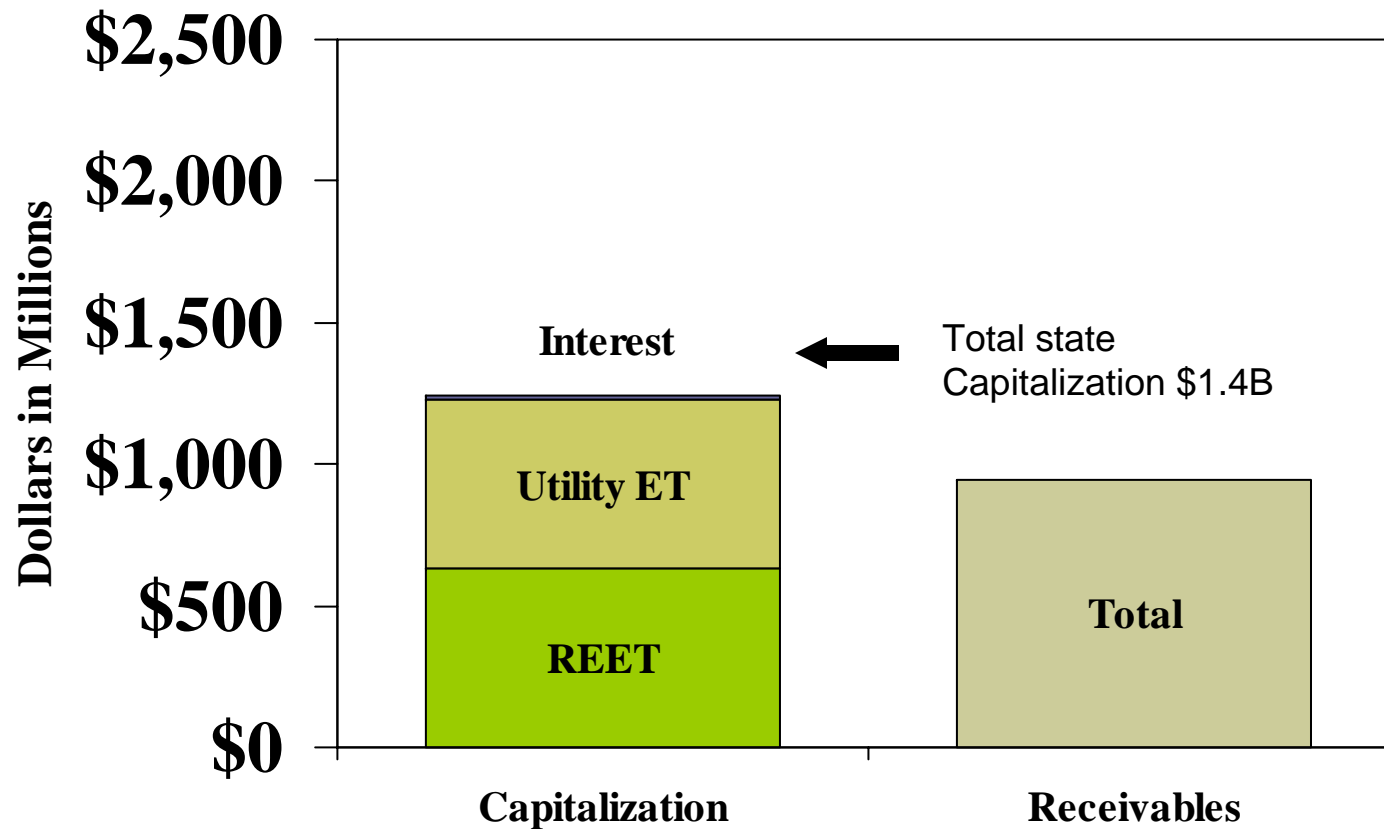
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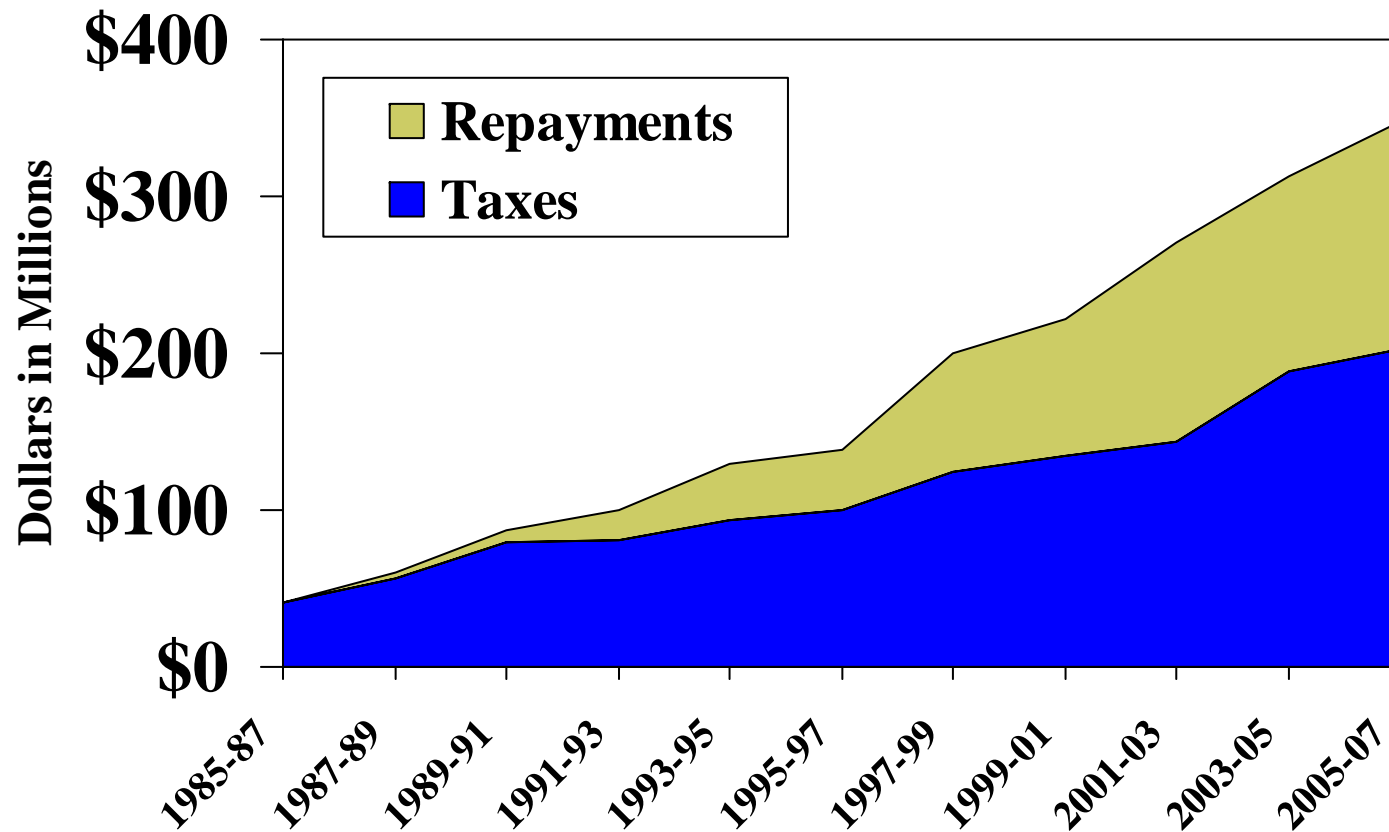
How big is the PWAA loan revolving fund?



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What are the revenues for PWAA loans?



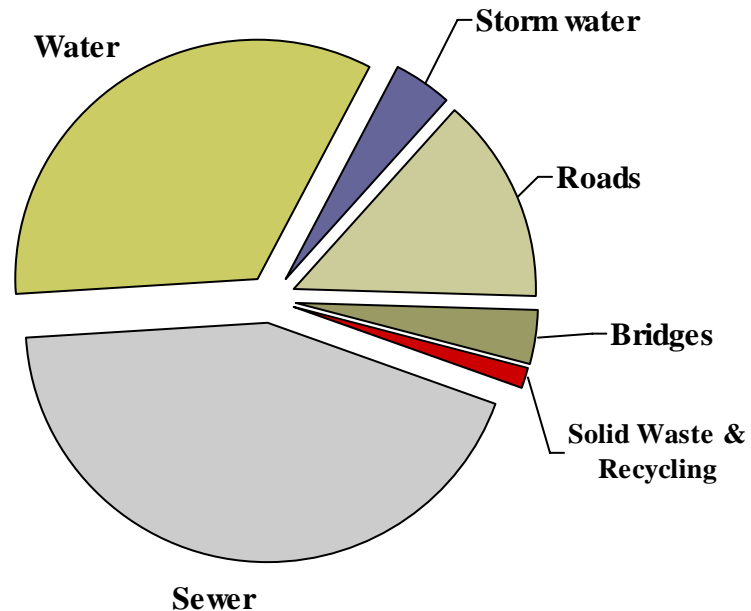
What's the function of state assistance for infrastructure?

- To help bridge a gap between a backlog of local infrastructure repairs and the financial capacity of local government
- To mitigate the financial impact of meeting higher state standards for health and safety and environmental protection
- To provide incentives for job creation or retention and economic growth

What kinds of Gaps has the PWAA bridged?

- To help bridge a gap between a backlog of local infrastructure repairs and the financial capacity of local government

**The Public Works
Assistance Account
22 years, \$1.9 Billion
In low interest loans**



How programs for drinking water are different from wastewater?

- **To mitigate the financial impact of meeting higher state standards for health and safety and environmental protection**

DOH and PWB
Integrated process
for low interest loans
for drinking water systems

PWB provides
low interest loans
for
wastewater
systems

DOE provides
low interest loans
and grants for
wastewater
systems

How are the two wastewater programs different?

\$184M

PWB provides
low interest loans
for
wastewater
systems

Interest rates 0-2%
based on level of local
match

Prior PWB loans and other
state sources are counted
as “local” match

Information on utility rates
No longer considered or
reported

DOE provides
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and grants for
wastewater
systems

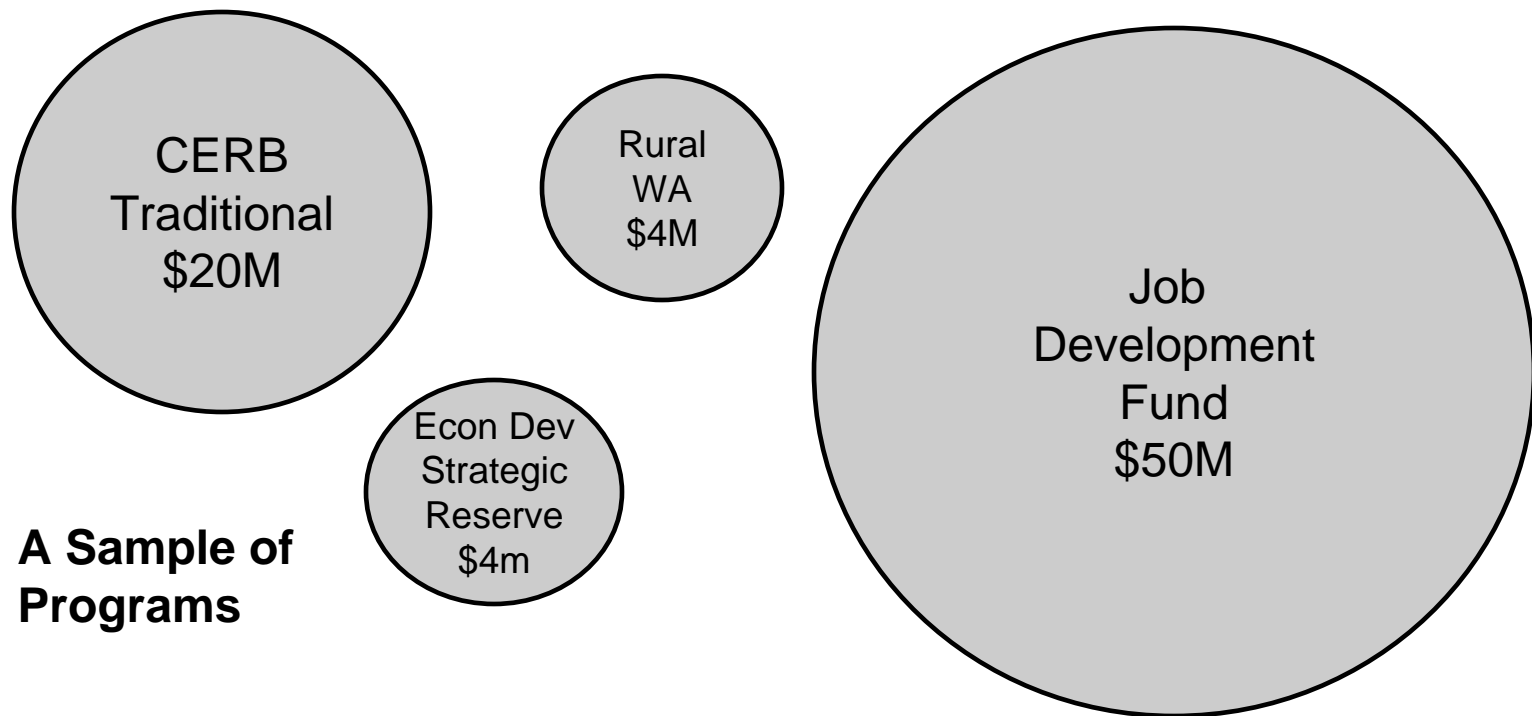
\$160M

Interest rate 60% of
bond market, down to
0% based on
financial hardship

Financial hardship
considers impact of
project cost on rates
and ability of households
to pay

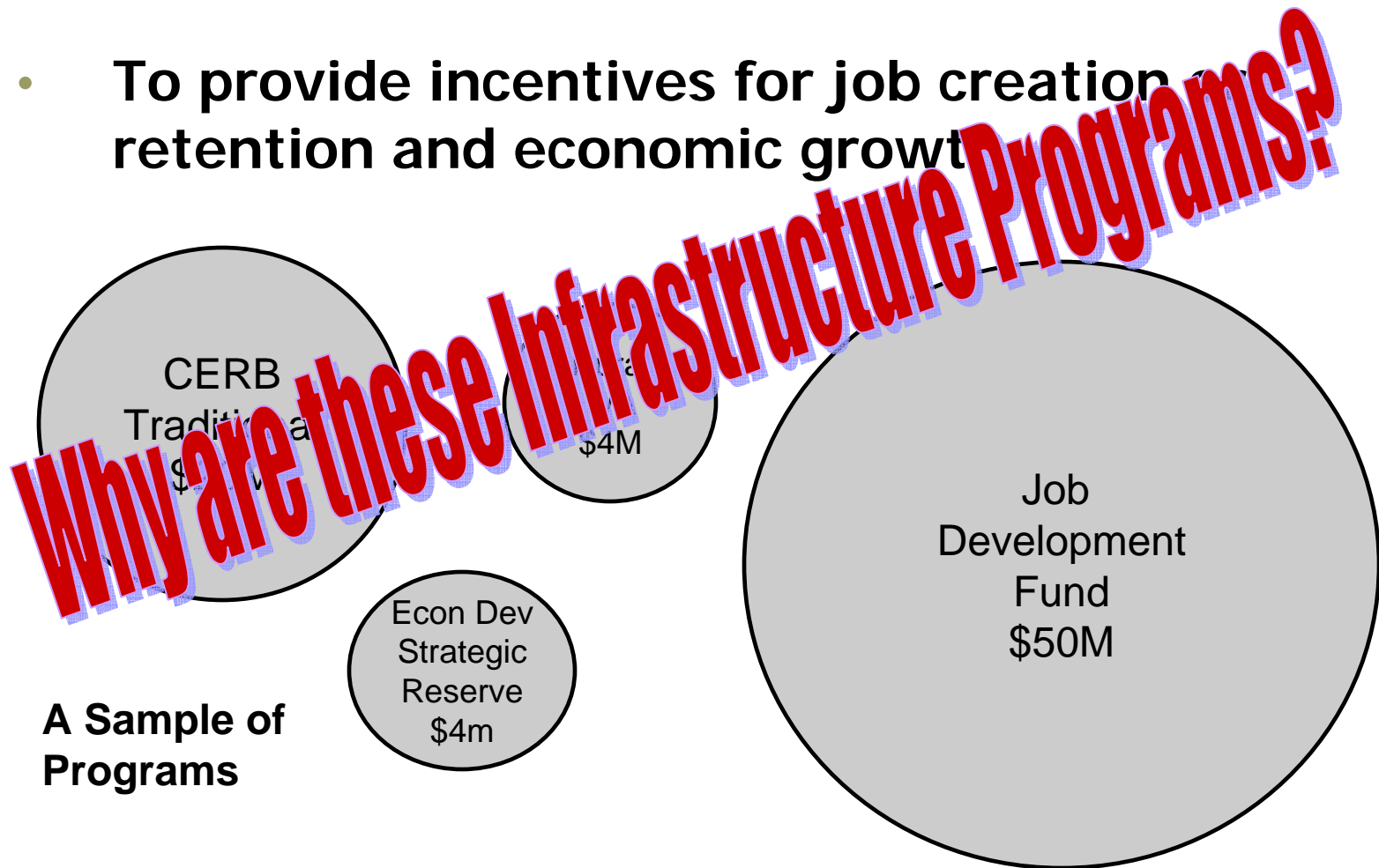
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- To provide... creation or retention...

**Credits Against the
State Sales Tax for
Local Economic Development**

\$70 to 100 million
(Biennial Estimate)

A Sample of
Programs

Questions you might want to consider for the first panel

- Why is there good coordination on drinking water systems and less coordination on wastewater system?
- Should state policy goals drive infrastructure assistance program priorities? Or is this simply a way to share state taxes with local governments and utility rate payers?
- How do you balance the urgency of mitigating risks to public health and the environment with the need to consider the fiscal capacity of the local community.
- Should there be a single decision process that determines the entire package of assistance for a project? Or should applicants be allowed to “fish in many ponds?” Should other state assistance count as local match?

Questions you might want to consider for the second panel

- Is the goal of economic development good jobs or tax receipts?
- What does the research say about the efficacy of different kinds of economic development programs?
- How do you balance helpful customer service to applicants with the need to critically challenge the assumptions and assertions of economic development proposals.
- Should there be a single decision process that determines the entire package of assistance for a project, including tax breaks? Or should applicants be allowed to “fish in many ponds?”